



February 27, 2015

To: Executive Board

Subject: **Option Exercise – Pomona Operations and Maintenance Agreement No. 12-001**

Recommendation

Authorize the Executive Director to:

1. Exercise the first two-year option on Agreement No. 12-001 with First Transit, Inc. for transit services operated out of Foothill Transit's Pomona facility; and
2. Provide quarterly payments to First Transit in the amount of \$75,000 to compensate them for running time added to local and commuter lines as a result of construction-related delays on and near the I-10 corridor, retroactive to July 2014 and through June 30, 2017.

Analysis

First Transit has provided transit services at Foothill Transit's operations and maintenance facility in Pomona for a number of years. Our current agreement with First Transit took effect on February 4, 2012 with a base term of just under three and a half years that expires on June 30, 2015. There are three two-year options available.

The recommendation to exercise the first of the three available two-year options is based on First Transit's consistent performance to date. First Transit continues to provide service that complies with the terms of our Operations and Maintenance Agreement and, in fact, their maintenance efforts on the Foothill Transit fleet assigned to them is consistently regarded as superior by the third-party contractor engaged to perform quarterly inspections of the fleet. Additionally, First Transit has consistently met and surpassed Foothill Transit's aggressive safety and mechanical coach maintenance targets. First Transit continues to be a strong and reliable partner in the provision of Special Service to the Rose Bowl each year.

The second recommendation is related to applying an equitable adjustment factor to First Transit's compensation. Foothill Transit's current agreement with First Transit incorporates a fixed monthly fee intended to cover the contractor's fixed costs, and rates per revenue mile for each mile of service operated. The recommended adjustment is based on the fact that since First



Transit began operating the service under the new contract terms on February 4, 2012, major construction activities have been implemented on Interstate Highway 10 and on arterial roadways in the San Gabriel and Pomona Valleys, leading to traffic delays. These traffic delays negatively impacted on-time performance on a number of Foothill Transit lines that First Transit operates.

An analysis performed shows that since March 2012, while service miles have increased by 15.5 percent, running time has increased by 24.2 percent, and overall hours have increased by 22.6 percent. While there have been slight differences between the percentage change in miles and the percentage change in hours at each service change as can be expected, at the Spring 2014 Service Change, revenue miles increased by 4.35 percent while total hours increased by 7.38 percent. At that time, First Transit worked alongside our management team to implement increased running times and as a result we've seen significant system-wide on-time performance improvement. As a result, First Transit has incurred added hours-based costs that are not compensated for by the lesser increase in their miles-based revenue.

When the change in First Transit's total annual hours of operation is compared to the change in total annual miles of service operated, the ratio is 1.56 to 1. As a means of addressing (mitigating for) this expense related to added hours, an analysis was performed on the potential fiscal impact if the 1.56 factor were applied to the annual CPI adjustment that is built into the contract. That analysis indicates that First Transit's annual contract revenue would have increased by \$297,000.

The Board may wish to consider a mechanism to increase First Transit's revenue in line with their increased costs, and staff recommends a quarterly payment of \$75,000, covering the period referenced above, to mitigate First Transit's added costs related to the construction related schedule delays that are beyond their control. The schedule for the extension of the HOV lanes along the I-10 has construction continuing through December 2019, at which time it is expected that running times for our lines on and near the I-10 corridor will once again be reduced to pre-construction levels. This methodology leaves in place the invoicing methodology included in the original contract solicitation, and separately addresses the additional traffic-related cost experienced by our contractor.

Any decision by Foothill Transit to provide quarterly payments to First Transit as recommended above to compensate for their added cost to operate the



service during the period of construction would be a one-time equitable adjustment in compensation, within the sole discretion of Foothill Transit. This action would not create any right of the Contractor to compensation for similar impacts in the future or any obligation on the part of Foothill Transit to take any similar action in the future.

Budget Impact

The annual value of the Pomona Operations and Maintenance contract is approximately \$24.8 million and the agreement incorporates an annual cost increase capped by the Los Angeles area CPI. If authorized, the application of a quarterly payment to First Transit will result in an annual operating cost increase of \$300,000. Funds are available in the current year Business Plan and Budget, and funds for maintenance and operations in future fiscal years will be programmed annually into Foothill Transit's Budget and Business Plan.

Sincerely,

Kevin McDonald
Deputy Executive Director

Doran J. Barnes
Executive Director